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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**

RELEASED

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Audit Of
The House Of Representatives
Restaurant Revolving Fund
July 7, 1974, To July 5, 1975

GGD-76-68

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APRIL 1, 1976

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114891

The Honorable Wayne L. Hays, Chairman
Committee on House Administration
House of Representatives

Dear Mr. Chairman:

We audited the House of Representatives Restaurant Revolving Fund for the period July 7, 1974, to July 5, 1975, pursuant to your standing request.

GENERAL COMMENTS

The House Restaurant is operated primarily for Members and employees of the House. House Resolution 317, 92d Congress (section 2 of which was made permanent by Public Law 92-51, approved July 9, 1971) assigned responsibility for operating the restaurant to the Committee on House Administration and direct supervision to the Select Committee on the House Restaurant. However, beginning with the 94th Congress, the Select Committee was dissolved and the Committee on House Administration established the Ad Hoc Restaurant Subcommittee to provide direct supervision.

As of July 5, 1975, the restaurant facilities consisted of (1) two cafeterias, one each in the Longworth and Rayburn Buildings, (2) the congressional and Members' dining rooms in the House wing of the Capitol, (3) a catering service in the Rayburn Building, (4) a bakery in the Longworth Building, and (5) four carryouts, one each in the Longworth, Cannon, Rayburn, and Capitol Buildings. In August 1975, a carryout service was added in House Office Building Annex #2. During fiscal year 1975 the Longworth Building Cafeteria was normally open on Saturday. When the Congress adjourns for a long period, one of the cafeterias and the congressional and Members' dining rooms close.

Sales and, when needed, allocations from the appropriations for House of Representatives Miscellaneous Items provide funds for operating the restaurant. In accordance with the act of October 9, 1940, these funds are deposited with the Treasurer of the United States to the credit of the Restaurant's Revolving Fund. Funds appropriated to the Architect of the Capitol for construction or maintenance are available to the restaurant for purchasing equipment. These purchases are not recorded as assets of the restaurant.

OPERATIONS

House Restaurant operations in fiscal year 1975 resulted in a net income of \$33,985, compared with a net income of \$52,988 in fiscal year 1974. The decrease in net income resulted primarily from costs rising faster than sales. The number of guests served were 2,151,578 and 2,002,084 in fiscal years 1975 and 1974, respectively.

For fiscal years 1973 through 1975, net profits amounted to \$102,622. This amount has been retained in the revolving fund and, together with the initial contributed capital of \$50,000 and equity increases of \$24,035 during prior years, provided an equity of \$176,657 as of July 5, 1975.

The Committee on House Administration, in a July 20, 1971, letter to the Clerk of the House, apparently intended that the revolving fund equity be maintained at \$50,000 by applying profits during an accounting period to reimburse the restaurant for losses in another period. At that time, the Committee did not contemplate overall annual profits and therefore did not state how such profits should be treated.

When the Restaurant Revolving Fund was transferred from the Architect of the Capitol in 1971, the restaurant had been continuously operating at a loss. It also incurred an operating loss in fiscal year 1972. Over the last 3 fiscal years, however, the restaurant has operated at a profit and substantially increased its equity account. This trend seems likely to continue, particularly during the bicentennial year because of the increased number of visitors. In view of the reversal in the restaurant's operating results since the transfer and the unanticipated increase in its equity, the Committee may wish to amplify its procedures to provide guidelines on how annual operating profits should be treated.

A condensed comparison of sales and commissions with operating results for each of the restaurant activities for fiscal years 1975 and 1974 follows.

	1975		1974	
	<u>Sales</u> <u>and com-</u> <u>missions</u>	<u>Operating</u> <u>profit or</u> <u>loss (-)</u>	<u>Sales</u> <u>and com-</u> <u>missions</u>	<u>Operating</u> <u>profit or</u> <u>loss (-)</u>
Food and beverages:				
Dining rooms:				
Congressional				
(note a)	\$ 290,864	\$-233,110	\$ 281,534	\$-196,453
Members'	24,784	-32,971	26,134	-35,636
Cafeterias:				
Longworth Building				
(note b)	666,854	3,799	593,283	10,682
Rayburn Building	474,798	-17,913	410,266	8,879
Carryout service:				
Longworth Building	178,868	33,626	148,393	30,381
Cannon Building	211,350	40,540	179,570	42,344
Rayburn Building	152,028	33,166	135,417	30,424
Capitol Building	136,456	23,153	113,283	18,202
Catering service:				
Rayburn Building	335,228	103,734	267,815	75,973
Bakery (note c)	-	-14,119	-	-8,158
	<u>2,471,230</u>	<u>-60,095</u>	<u>2,155,695</u>	<u>-23,362</u>
Cigarstands:				
Congressional dining				
room	37,181	7,691	32,156	7,948
Cafeterias:				
Longworth Building	219,182	37,819	177,127	36,471
Rayburn Building	130,666	36,183	93,697	23,339
Carryout service:				
Capitol Building	<u>14,992</u>	<u>4,510</u>	<u>10,362</u>	<u>2,910</u>
	<u>402,021</u>	<u>86,203</u>	<u>313,342</u>	<u>70,668</u>
Vending machine commissions	<u>7,877</u>	<u>7,877</u>	<u>5,682</u>	<u>5,682</u>
Total	<u>\$2,881,128</u>	<u>\$ 33,985</u>	<u>\$2,474,719</u>	<u>\$ 52,988</u>

a/Includes catering sales of \$51,639 for fiscal year 1975 and \$45,353 for fiscal year 1974.

b/Includes catering sales of \$21,273 for fiscal year 1975 and \$14,165 for fiscal year 1974.

c/Sales of \$90,218 in fiscal year 1975 and \$74,823 in fiscal year 1974 were made to other restaurant facilities and are included in their costs.

A comparative statement of assets and liabilities of the House of Representatives Restaurant Revolving Fund on July 5, 1975, and July 6, 1974; a comparative statement of operations for fiscal years 1972 through 1975; and a comparative statement of changes in financial position for fiscal years ended July 5, 1975, and July 6, 1974, are presented as schedules 1, 2, and 3. A comparison of sales and operating results, prepared by the House Restaurant accounting staff, for each of the units for fiscal year 1975 is presented as exhibit A.

ACCOUNTING CHANGE

Because the accounting period of the restaurant is every 4 weeks instead of monthly, the final accounting period must occasionally be changed so the end of the restaurant's fiscal year coincides approximately with the end of the Government's fiscal year. The final accounting period for fiscal year 1974 was changed from 4 weeks to 6, so that the restaurant's fiscal year would end on July 6, 1974. No change was required for fiscal year 1975.

ACCOUNTS RECEIVABLE

A comparison of accounts receivable at June 30, 1975 and 1974, follows.

<u>Days out- standing</u>	<u>June 30, 1975</u>		<u>June 30, 1974</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$ 65,931	44.4	\$50,316	52.5
31 to 60	49,474	33.3	25,266	26.4
61 to 90	15,445	10.4	10,428	10.9
Over 90	<u>17,757</u>	<u>11.9</u>	<u>9,842</u>	<u>10.2</u>
Total	<u>\$148,607</u>	<u>100.0</u>	<u>\$95,852</u>	<u>100.0</u>

Accounts receivable have increased annually at an average of about 47 percent over the past several years--from about \$32,000 as of June 30, 1971, to about \$148,600 as of June 30, 1975. Accompanying this dollar increase has been a marked increase in the amount and percentage of accounts outstanding over 60 days. As of June 30, 1975, \$33,202, or 22.3 percent of the accounts receivable, were outstanding 61 days or more, compared with \$2,202, or 6.9 percent, as of June 30, 1971.

As of September 30, 1975, about 71 percent of the amounts outstanding 61 days or more as of June 30 had been paid. However, about \$9,600 remained unpaid.

SCOPE OF AUDIT

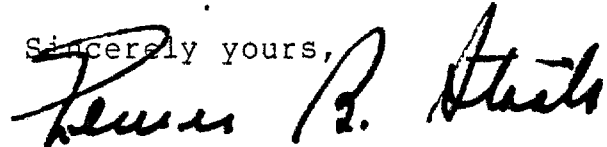
We made our audit in accordance with generally accepted auditing standards and we reviewed operations and applicable Federal laws, observed the physical count of stock on hand, examined selected financial transactions and records, confirmed Members' account balances, and carried out such other auditing procedures as we considered necessary.

OPINION ON FINANCIAL STATEMENTS

We prepared the accompanying financial statements (schs. 1, 2, and 3) on the basis of accounting records maintained on an accrual basis by the House Restaurant Accounting Office. The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services, such as space, building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and services of the staffs of the Ad Hoc Restaurant Subcommittee and the Committee on House Administration, all of which are furnished to the restaurant without charge.

In our opinion, schedules 1, 2, and 3, which were prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the House of Representatives Restaurant Revolving Fund at July 5, 1975, and July 6, 1974, the results of its operations, and the changes in its financial position for the years then ended.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James B. Stacks". The signature is written in a cursive, flowing style with some capitalization.

Comptroller General
of the United States

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUNDCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESJULY 5, 1975, AND JULY 6, 1974

	July 5, 1975		July 6, 1974	
ASSETS				
CASH:				
Funds with U.S. Treasury	\$158,634		\$198,136	
Undeposited receipts (note a)	8,995		20,719	
Petty cash and change funds	<u>18,750</u>	\$186,379	<u>14,250</u>	\$233,105
PREPAID EXPENSES		2,677		3,136
ACCOUNTS RECEIVABLE		130,491		90,096
INVENTORY OF FOOD, BEVERAGES, MERCHANDISE, AND SUPPLIES, AT COST		<u>88,172</u>		<u>72,376</u>
Total assets		<u>\$407,719</u>		<u>\$398,713</u>
LIABILITIES AND EQUITY				
LIABILITIES:				
Amounts due vendors	127,095		144,172	
Net payroll and benefits	44,814		42,908	
Federal and D.C. withholding taxes	6,336		7,543	
Employees' accrued leave	52,316		53,571	
Allowance for purchase of china, glassware, silver- ware, and kitchen utensils	<u>501</u>		<u>7,847</u>	
Total liabilities		<u>\$231,062</u>		<u>\$256,041</u>
EQUITY:				
Contributed capital		50,000		50,000
Operating funds:				
Balance at beginning of year	92,672		42,916	
Less fiscal 1973 payroll paid in fiscal 1974	<u>-</u>		<u>3,232</u>	
Balance at end of year	92,672		39,684	
Net profit (sch. 2)	<u>33,985</u>	<u>126,657</u>	<u>52,988</u>	<u>92,672</u>
Total equity		<u>176,657</u>		<u>142,672</u>
Total liabilities and equity		<u>\$407,719</u>		<u>\$398,713</u>

a/Restaurant undeposited receipts at the House of Representatives Finance Office.

SCHEDULE 2

SCHEDULE 2

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUND

COMPARATIVE STATEMENT OF OPERATIONS

FISCAL YEARS ENDED JULY 5, 1975, JULY 6, 1974,

JUNE 23, 1973, AND JUNE 24, 1972

	July 5, 1975		July 6, 1974		June 23, 1973		June 24, 1972	
	Amount	Percent of sales	Amount	Percent of sales	Amount	Percent of sales	Amount	Percent of sales
SALES OF FOOD AND BEVERAGES:								
Regular services	\$2,063,089	83.5	\$1,828,362	84.8	\$1,413,650	84.6	\$1,342,147	86.1
Catering (note a)	408,141	16.5	327,333	15.2	256,723	15.4	216,624	13.9
Total	2,471,230	100.0	2,155,695	100.0	1,670,373	100.0	1,558,771	100.0
Cost of food and beverages sold	1,002,337	40.6	842,982	39.1	634,431	38.0	581,234	37.3
GROSS PROFIT	1,468,893	59.4	1,312,713	60.9	1,035,942	62.0	977,537	62.7
OPERATING EXPENSES:								
Salaries and wages (notes b and c):								
Straight time	935,006	37.8	840,873	39.0	699,863	41.9	713,560	45.8
Overtime	75,868	3.1	56,308	2.6	39,374	2.4	35,924	2.3
Leave expense	74,739	3.0	66,392	3.1	53,510	3.2	68,315	4.4
Employee meals	45,845	1.9	40,541	1.9	27,008	1.6	27,899	1.8
Employee benefits	84,275	3.4	73,084	3.4	61,439	3.7	64,675	4.1
Administrative costs (note b)	98,247	4.0	112,990	5.2	97,143	5.8	83,220	5.3
Laundry	37,542	1.5	34,923	1.6	23,798	1.4	35,871	2.3
Paper supplies	88,360	3.6	62,498	2.9	45,790	2.7	45,253	2.9
Cleaning supplies	28,728	1.2	20,126	.9	16,173	1.0	13,804	.9
Miscellaneous	33,847	1.4	14,946	.7	15,063	.9	18,495	1.2
Replacement of china, glassware, silverware, and kitchen utensils	26,531	1.1	13,394	.6	10,891	.7	11,499	.7
Total	1,528,988	62.0	1,336,075	61.9	1,090,052	65.3	1,118,515	71.7
LOSS ON FOOD AND BEVERAGE OPERATION	60,095	2.6	23,362	1.0	54,110	3.3	140,978	9.0
CIGARSTAND MERCHANDISE:								
Sales	402,021	100.0	313,342	100.0	272,739	100.0	263,661	100.0
Cost of sales	278,256	69.2	212,583	67.8	183,079	67.1	184,798	70.1
GROSS PROFIT CIGARSTAND LABOR AND BENEFITS	123,765	30.8	100,759	32.2	89,660	32.9	78,863	29.9
c/37,562	9.3	30,091	9.6	22,112	8.1	17,044	6.5	
PROFIT ON CIGARSTAND OPERATIONS	86,203	21.5	70,668	22.6	67,548	24.8	61,819	23.4
VENDING MACHINE COMMISSION	7,877		5,682		5,443		5,792	
NET OPERATING INCOME OR LOSS (-)	33,985		52,988		18,881		-73,367	
EQUIPMENT EXPENDITURES	-		-		-		345	
NET PROFIT OR LOSS (-) FOR THE YEAR	\$ 33,985		\$ 52,988		\$ 18,881		\$ -73,712	

a/Miscellaneous costs relating to catered events and service costs for events held outside of normal operating hours are processed separately and not included by the restaurant as sales or operating expenses.

b/Straight time (\$82,479), leave expense (\$6,333), employee meals (\$1,942), and employee benefits (\$7,493) for administrative personnel are reported under administrative costs for the period July 7, 1974, through July 5, 1975.

c/Straight time (\$29,577), overtime (\$1,793), leave expense (\$2,198), employee meals (\$1,187), and employee benefits (\$2,807) for cigarstand personnel are reported under cigarstand labor and benefits for the period July 7, 1974, through July 5, 1975.

BEST DOCUMENT AVAILABLE

HOUSE OF REPRESENTATIVES RESTAURANT REVOLVING FUND
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FISCAL YEARS ENDED JULY 5, 1975, AND JULY 6, 1974

	<u>July 5, 1975</u>	<u>July 6, 1974</u>
FUNDS PROVIDED:		
Sales and commissions	\$2,881,129	\$2,474,719
Total	<u>\$2,881,129</u>	<u>\$2,474,719</u>
FUNDS APPLIED:		
Cost of merchandise sold	\$1,280,593	\$1,055,565
Salaries and wages	1,253,295	1,107,288
Other operating expenses	313,255	258,878
Decrease in reserve for re- placement of china, glass- ware, and silverware	7,346	6,035
Decrease in operating funds for payment of fiscal 1973 payroll	-	3,232
Increase in working capital	<u>26,640</u>	<u>43,721</u>
Total	<u>\$2,881,129</u>	<u>\$2,474,719</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

FISCAL YEAR ENDED JULY 5, 1975

	<u>Increase or decrease (-) in working capital</u>
INCREASE OR DECREASE (-) IN CURRENT	
ASSETS:	
Cash	\$-46,726
Accounts receivable	40,395
Inventories	15,796
Prepaid expenses	-459
INCREASE (-) OR DECREASE IN CURRENT	
LIABILITIES:	
Amounts due vendors	17,077
Payroll, benefits, and taxes payable	-698
Employees' accrued leave	<u>1,255</u>
Increase in working capital	<u>\$ 26,640</u>

BEST DOCUMENT AVAILABLE

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